

The Fiscal Consequences of New York's Rollout of Legal Marijuana: Early Evidence

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Agenda

- + New York's Cannabis Market
- + Economic Development Implications
- + Fiscal Impacts
- + The Caveats



MRTA

Marijuana Regulation and Taxation Act

- + What is in the bill?
- + Creates dispensaries and consumption lounges
- + Create tax revenue structure
- + Expands medical marijuana
- + Social justice

State Cannabis Market Sizes (2020)

- New York will be the 2nd largest state with a recreational market
- New Jersey and Vermont only recently established commercial markets

State	Sales (Millions)	Tax Revenue (Millions)	Cannabis Jobs
California	\$4,400	\$817	57,970
Colorado (2nd largest market)	\$2,280	\$350	35,539
Florida (medical only)	\$1,200	\$74	31,444
Massachusetts	\$696	\$15	
Pennsylvania (medical only)	\$810	\$41	15,895



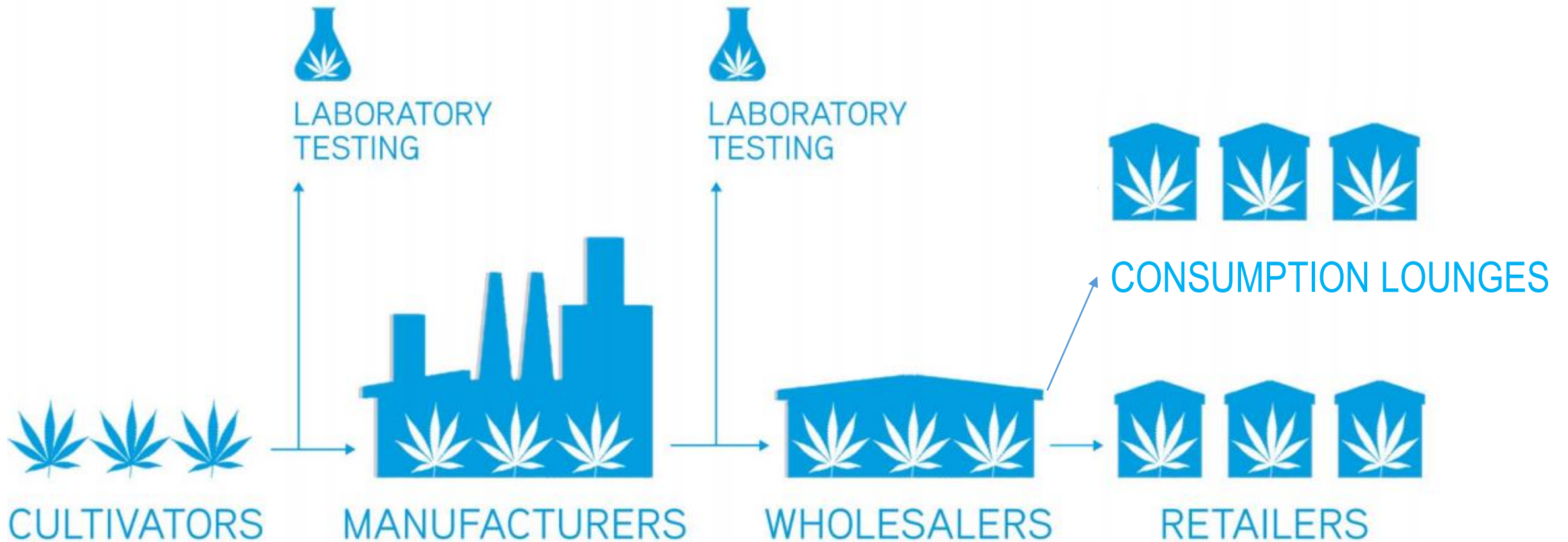
\$3.7 Billion

Projected size of a mature recreational market in
New York State for 2025 (New Frontier Data)

THE MARKET

The Recreational Cannabis Supply Chain

- Entirely contained within the state
- NY proposal prohibits vertical integration



Cultivators

Cultivators/Growers are responsible for the agricultural production of the cannabis plant and flower



Processors

Manufacturers, Processors, or Producers use the flower to generate usable marijuana and marijuana infused products. They package and label products for sale in retail outlets.



Wholesalers

Wholesalers and distributors are responsible for distribution of products to retail establishments



Dispensaries

Retail establishments that sell a variety of products that have been acquired from licensed growers and suppliers.



Consumption Sites

An establishment that sells and allows for consumption of the product on the premises.



Important Notes

- + The law does not allow Vertical Integration in New York's Recreational Cannabis market
- + The Office of Cannabis Management has been charged with issuing licenses. To date no guidance has been posted

The Market

Other Businesses

Microbusinesses
Co-ops
Laboratories
Transportation



The Market

Ancillary Businesses

Architects
Construction
Logistics
Security
Human Resources
Accounting
Marketing
Law



A study of the impact Adult-Use Cannabis legalization could potentially have on the New York State economy and workforce.

Available at rockinst.org

Policy Brief

The Economic Impact of Developing the Adult-Use Cannabis Industry in New York

Laura Schultz

April 25, 2019

ECON IMPACT

Economic Impact of \$1.7B in sales

CANNABIS-RELATED MULTIPLIERS

The entire cannabis supply chain must be contained within the state.

This drives economic impact higher.

Market Size	\$1.7B	\$3.5B
Total Jobs	30,731.4	63,270.6
Total Output (in millions)	\$4,079.3	\$8,399.6

How would Cannabis Compare to NY Industries?

1.

Cannabis (\$3.5B)

- \$8.4B output
- 63,270 jobs

2.

Craft Beer

- \$3.4B output
- 20,000 jobs

3.

Wineries

- \$6.7B output
- 71,950 jobs

INVESTMENT ATTRACTION

**MedMen bets big on New York
legalization by opening a luxury
marijuana store on Fifth Avenue**

CNBC April 19, 2018

MONTGOMERY COUNTY

**Planned cannabis facility stirs visions of Beech-Nut's
heyday in Canajoharie**

Daily Gazette
May 2, 2021

**Cannabis Campus planned for Buffalo,
could bring more than 500 jobs**

Processing facility requirements
Low-cost energy
Abundant water
Low-traffic location

WKBW January 11, 2019

Investments Announced

Tracking commercial real estate deals

\$480M Invested, 1,000 jobs

Focused on building the supply chain

Retail investments will come later

Location		Investment (\$M)	Jobs	Description
Coeymans	Albany	-	300	Cultivation
Hudson	Columbia	\$10		Farm
Buffalo	Erie	\$ 25		R&D and production
Buffalo	Erie	\$ 200		Processing
Johnstown	Fulton	\$ 1.3	100	Cultivation
Canajoharie	Montgomery	\$ 30	125	Cultivation/Processing
-	Nassau	\$ 42.5		Cultivation/Processing
Warwick	Orange	\$ 155	179	Cultivation/Processing
Berlin	Rensselaer	\$ 1		Farm
Rensselaer	Rensselaer		150	Cultivation Processing
Moreau	Saratoga	\$ 4	40	Cultivation Processing
Chestertown	Warren	\$ 7		Cultivation Processing
Cambridge	Washington	\$ 5	100	Cultivation Processing

Opportunities for who?

- Medical marijuana firms have a distinct advantage.
- 50% of licenses for MWBEs, distressed farmers or veterans
- Large firms will partner with MWBEs to launch ventures



Snapshot of Cannabis Employment

- Cannabis Business Development (NYC) \$100K/year
- R&D Associate (Hudson) \$28/hour
- Cultivation Technician (Riverhead) \$19/hour
- Chemist
- Courier
- Production Technician
- Farm Laborer
- Sales Manager
- Security Officer



FISCAL IMPACT

New York's Marijuana Tax Structure

A **13%** tax on every sale.

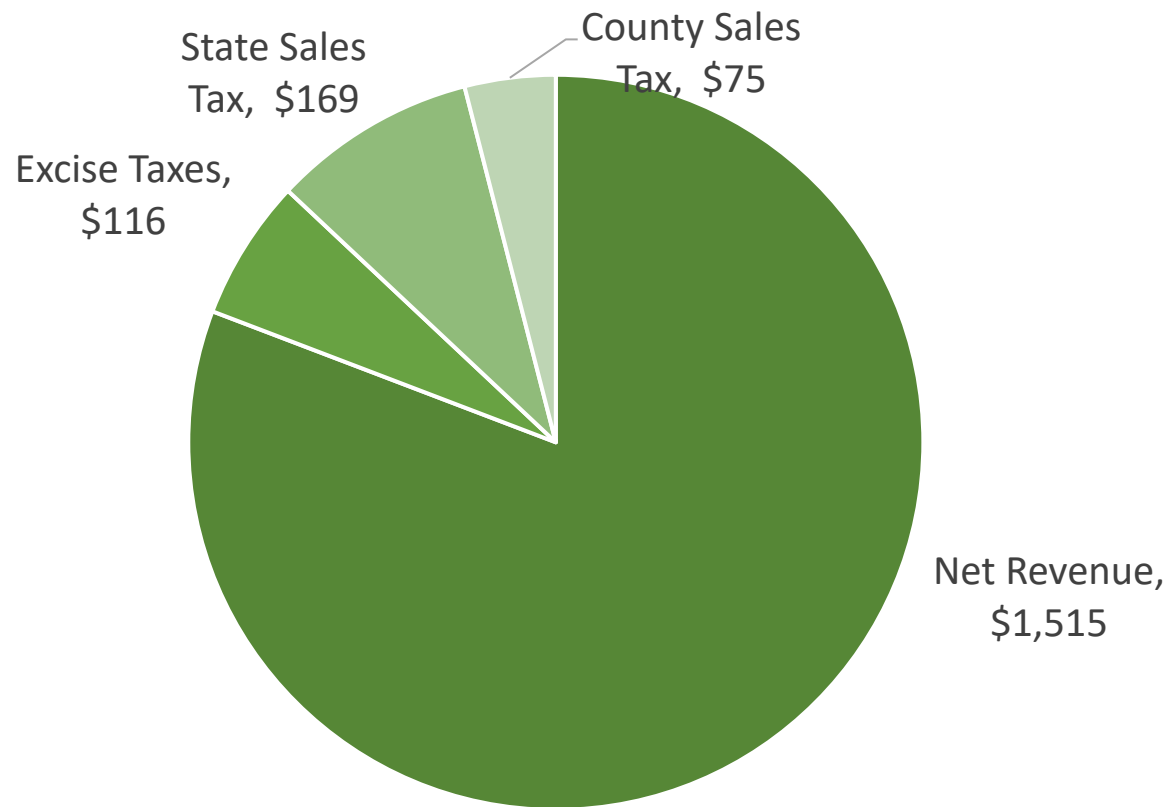


Projected Tax Revenue

- 2022 will be exclusively licensing fees
- 2023 first dispensaries open
- 2025-2026 market fully operational

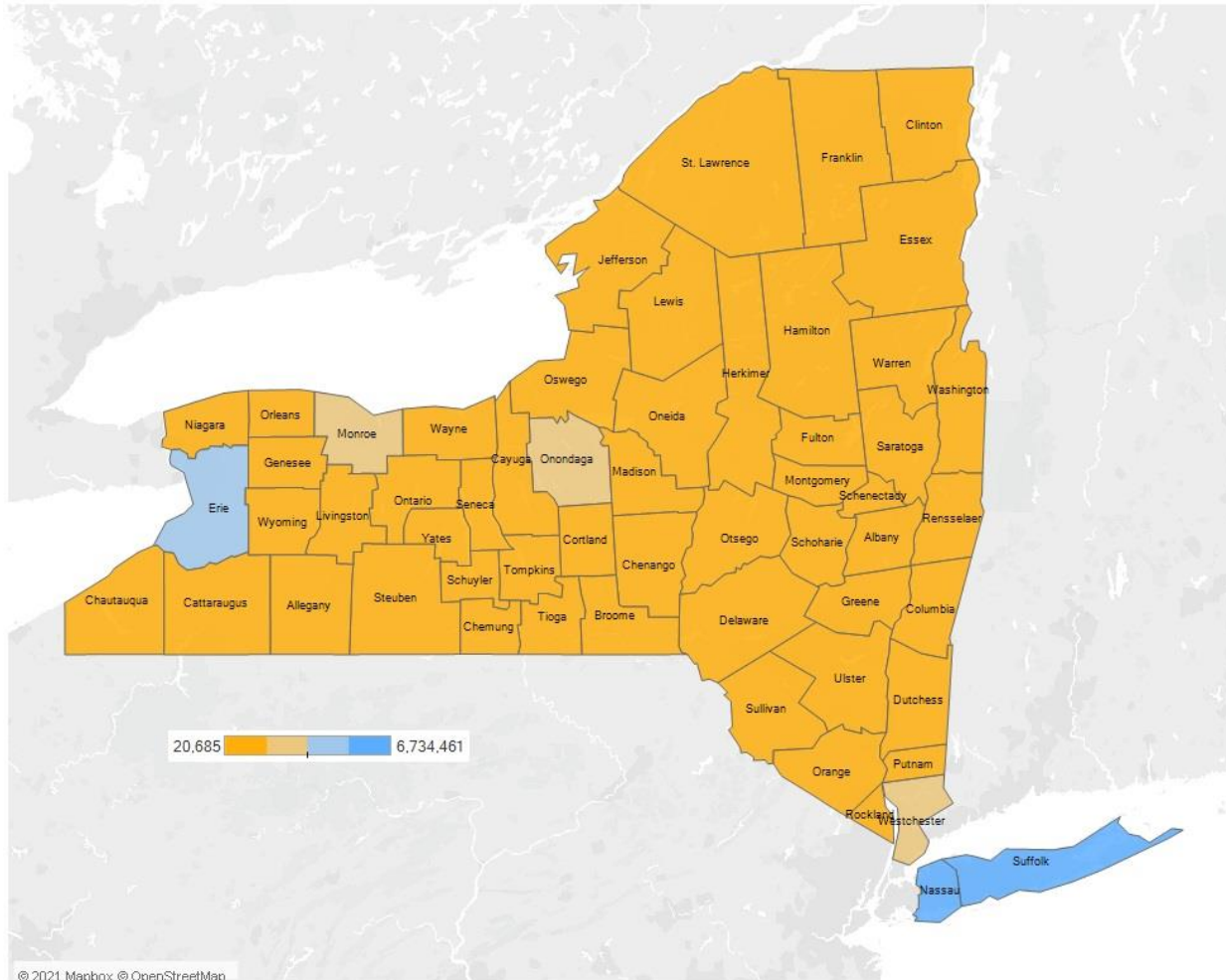


Revenue Breakdowns



- State projects \$360 M in tax revenue once market was fully operational
- Based on a \$1.9 billion market
- Counties and municipal governments would receive \$75 M
 - 25% to county, 75% to municipalities

Potential County Level Marijuana Tax Revenues



Jurisdiction	Revenue (in Millions)
New York City	\$35.6
Suffolk County	\$6.7
Nassau County	\$5.5
Erie County	\$3.6
Westchester County	\$2.7
Monroe County	\$2.5
Onondaga County	\$1.8
Orange County	\$1.4
Albany County	\$1.4
Rockland County	\$1.1

Rockefeller Institute estimates based on the distribution of sales taxes



December 31, 2021

Deadline for municipalities to opt out.

Opt-Outs: The Rules

- + No action is required to opt-in
- + Municipalities may choose to opt-out from allowing dispensaries and/or consumption lounges
- + May not limit cultivation or production.
- + Once they opt-out, they can reverse decision and opt-in
- + May not opt-out after the deadline
- + Municipalities can regulate operations through zoning and other restrictions.

CAVEAT

NIMBY

- + 70% of municipalities in New Jersey opted out of offering licenses for cultivators, manufacturers, wholesalers, distributors, retailers, and delivery
- + Similar patterns in California, Colorado, Illinois, Massachusetts, and Michigan

When New York lawmakers legalized weed this spring , they gave towns, villages, and cities until Dec. 31 to opt out of cannabis dispensaries and lounges. In the village of Pittsford, officials plan to opt out and then put that decision to a public vote.



rochestercitynewspaper.com

When it comes to legal cannabis, Monroe County communities aren't just sayin... Reluctant to take a stand on welcoming weed dispensaries, elected officials are leaving it up to the people.

11:26 AM · Oct 25, 2021 · Twitter Web App

NEWS

Colonie bans on-site marijuana consumption



Massarah Mikati

Sep. 15, 2021 | Updated: Sep. 15, 2021 2:04 p.m.

Politics & Government

Rockville Centre Latest LI Village To Opt Out Of Cannabis Sales

The unanimous vote by the village board of trustees will prohibit the sale of cannabis and dispensaries within the municipality.



Jacqueline Sweet, Patch Staff

Posted Mon, Oct 4, 2021 at 9:41 am ET

Marijuana businesses wait for regulations to come out as towns and villages decide whether to opt out

Village of Williamsville to seek public input on marijuana today; Town of Amherst has no plans to opt-out

Office of Cannabis Management

- + Final appointments September 2021
- + First meeting October 5
- + Missed first statutory requirement
- + Still no guidance on licensing

Opting-out... For Now

- + Uncertainty about regulation and licensing
- + Want to see impact in other communities
- + Waiting to put issue before voters in a referendum

Illicit Market

- + New York cannabis consumers have long relied on an underground market
- + If legal cannabis is not easy to get or affordable, why bother?
- + California's illicit market is twice the size of the legal market.

H.R.3617 - MORE Act of 2021

117th Congress (2021-2022) | [Get alerts](#)

BILL

Hide Overview ✕

Sponsor: [Rep. Nadler, Jerrold \[D-NY-10\]](#) (Introduced 05/28/2021)

Committees: House - Judiciary; Energy and Commerce; Agriculture; Education and Labor; Ways and Means; Small Business; Natural Resources; Oversight and Reform; Transportation and Infrastructure

Committee Meetings: [09/29/21 10:00AM](#)

Latest Action: House - 09/30/2021 Ordered to be Reported in the Nature of a Substitute by the Yeas and Nays: 26 - 15. ([All Actions](#))

Tracker:

Introduced

Passed House

Passed Senate

To President

Became Law

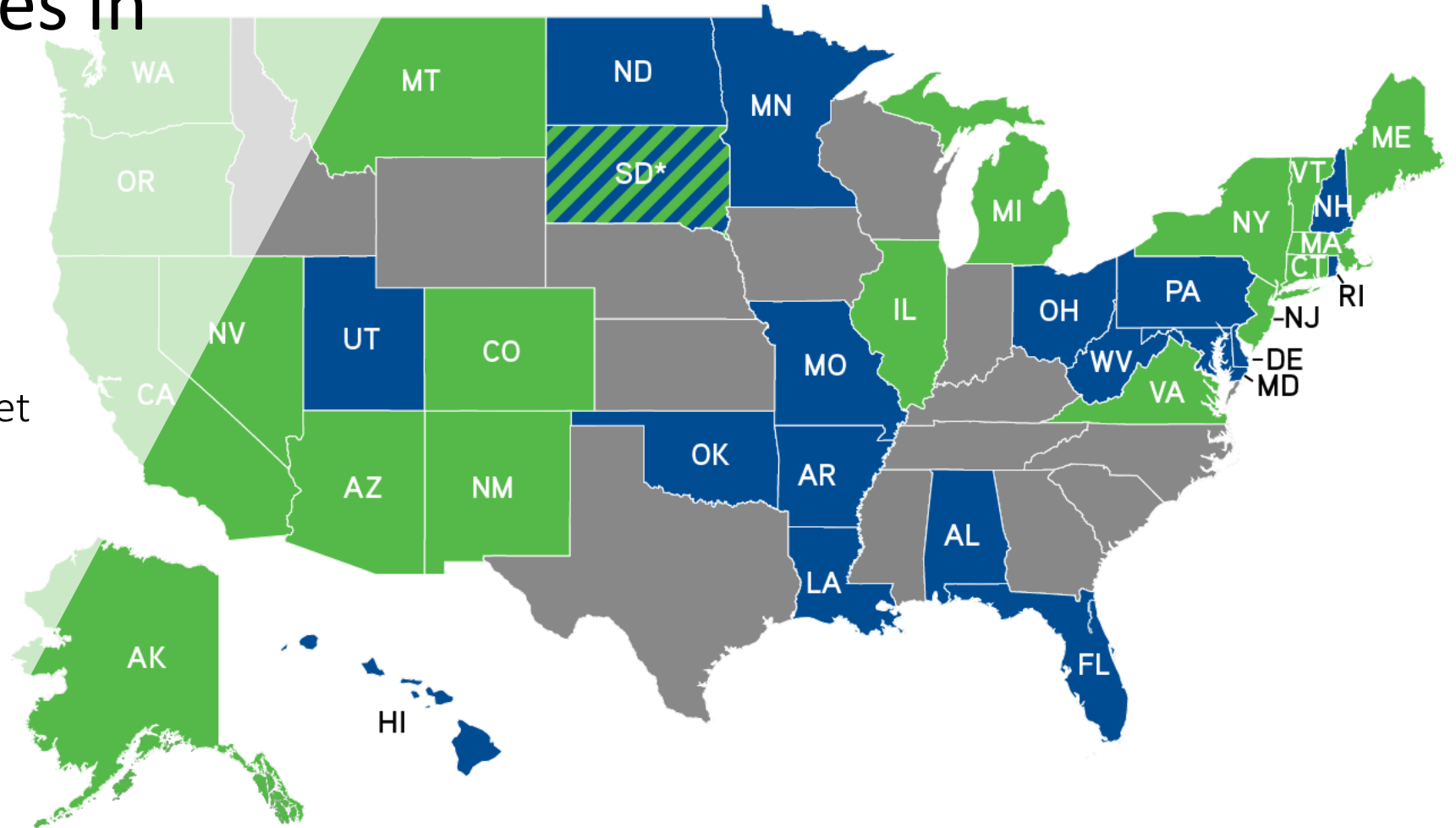
CAVEATS

Legalized recreational and medical marijuana

Legalized medical marijuana

Potential Changes in Federal Statute

- Access to banking will make it easier for businesses to operate
- Reduce the tourist market
- Legal interstate trade could
 - Open new markets for NY products, or
 - Lower total impact as products are imported



Conclusions

- + New York is poised to be second largest market in the US (\$2-4 billion in sales)
- + Dozens of economic development projects announced in 2021. Billions in investment expected.
- + \$360 million in tax revenue projected
- + Extensive opt-outs and poorly executed rollout could impeded the market.



IN THE WEEDS

HOW STATES ARE
LEGALIZING
MARIJUANA IN THE
SHADOW
OF A FEDERAL
PROHIBITION

[Follow the research](https://rockinst.org/intheweeds)
rockinst.org/intheweeds